Overview of the Paycheck Protection Program (PPP)
for Self-Employed Individuals, Sole Proprietors & Independent Contractors (Without Employees)

WHAT ARE THE KEY TERMS OF PPP LOANS?

- **Maximum Loan Amount**: 2.5 months’ worth of 2019 net profits PLUS any Economic Injury Disaster Loan (“EIDL”) you received between 1/31/2020 and 4/3/2020 MINUS any EIDL advance you received.

- **Use of Proceeds**: PPP proceeds must be used for owner compensation (capped at lesser of (i) 2.5 months’ worth of 2019 net profits or (ii) $20,833) and certain nonpayroll expenses (business mortgage interest, business rent or lease payments and business utilities for obligations that were in place before 2/15/2020) paid or incurred during Covered Period (the period ending 24 weeks after loan disbursement or 12/31/2020, if earlier).

- **Interest Rate**: 1% fixed rate.

- **Term**: 5 years (for loans received after 6/5/20).

- **Forgiveness**: Eligible for full forgiveness if ≥ 60% of loan proceeds used for owner compensation and ≤ 40% used for nonpayroll expenses during Covered Period, but amount forgiven will be reduced by any EIDL advance.

- **Repayment**: If all or part of your loan is not forgiven, you must repay the unforgiven amount with interest, beginning (i) when SBA makes a forgiveness determination or (ii) if you do not apply for loan forgiveness, 10 months after the end of your Covered Period.

AM I ELIGIBLE FOR A PPP LOAN?

- **Active & Profitable**: Business must have been (i) in operation on 2/15/2020 and (ii) profitable in 2019 (2019 IRS Form 1040, Schedule C, line 31 must be > $0).

- **Need**: Current economic uncertainty must make the loan necessary to support business’s ongoing operations.

- **Prior SBA loans**: Must not be delinquent or have defaulted on any other SBA loan within the last 7 years.

- **Criminal history**: Must not be (i) currently incarcerated or subject to a pending felony charge, (ii) convicted of fraud or similar charge within the last five years or (iii) convicted of any other felony within the last year.

- **US citizen or LPR**: Some lenders have denied PPP loans to US legal residents that are not lawful permanent residents (LPRs) or citizens (but there is currently no official guidance on this point).

CAN I USE A PPP LOAN AND UNEMPLOYMENT INSURANCE (UI) AT THE SAME TIME?

You may be able to apply for both UI and PPP, but you **cannot** use PPP to pay your salary while you are receiving UI. You must end your UI payments before using a PPP loan to pay owner compensation.

Your PPP loan may be used for eligible nonpayroll expenses while you receive UI, but spending > 40% of loan on nonpayroll expenses will reduce loan forgiveness (and spending 100% on nonpayroll expenses will result in no forgiveness).

HOW DO I APPLY FOR A PPP LOAN?

1. **Determine steps necessary to stop UI payments**. May be difficult or take longer than anticipated to implement in practice. Check with your state’s UI authority to confirm your state’s procedures.

2. **Find a PPP lender**. Use a participating bank or certain online financing companies (e.g., PayPal and BlueVine). Consider asking your current bank if it is an eligible PPP lender or find a PPP lender near you using the SBA website (here).

3. **Complete and submit PPP loan application by 8/8/2020**. Each lender may have its own form (model SBA form available here).

   - **Calculate your maximum loan amount**: 2.5 x “average monthly payroll” (use the net profit amount on 2019 IRS Form 1040 Schedule C line 31) PLUS outstanding amount of any EIDL received between 1/31/2020 and 4/3/2020 that you seek to refinance MINUS amount of any EIDL advance.

   - **Respond to eligibility questions**: These include inquiries about your current and prior SBA loans and criminal history.

   - **Make certifications**: These include certifications that you will follow PPP rules (and that you understand that knowingly using proceeds for unauthorized purposes could result in fraud charges), that you are eligible to receive a PPP loan, that you will provide documentation verifying your use of the PPP loan proceeds, and that you have completed the loan application accurately and completely.

   - **Submit additional documents**: Lenders may request organizing documents of business, 2019 IRS Form 1040 Schedule C, 2019 IRS Form 1099-MISC, and invoices, bank statements, or accounting records for 2019 and 2020.